



# Development and Improvement of Customer Relations in the Luxury Cottages Portal Business

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## **Development and Improvement of Customer Relations in the Luxury Cottages Portal Business**

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The thesis's author is employed in a company (company X) that has interest in the development of luxury cottages portal and participates in this project. This thesis describes the subject of development and improvement of customer relations in the luxury cottages portal business. The luxury cottages portal where superior level cottages will be offered for rent is going to be established. It is intended to sell portal's services mostly to wealthy Russia customers. Different aspects of customer relationship management in this line of business are described: customer segmentation, customer satisfaction, customer loyalty, customer retention.

As in this particular business customers are needed to make the portal function profitably, different clients' categories are researched carefully. Two types of portal's customers are identified: the final customers (people, who can use portal's services without any intermediaries) and the intermediaries (travel agencies that use the portal's services and after that sell these services to their own final customers).

Research that can help to understand how to satisfy customers, obtain their loyalty and retain them is made. For each customer group different interviews' structures and questions are used. Qualitative research method in a form of in-depth, semi-structured interviews is applied.

Different possibilities to satisfy the customers and then retain them were discovered. Alternative payment methods, promotion of the portal to obtain the trust of the customers, bonus and discount systems, and check of cottages' quality can be applied to develop successful customer relations.

**Key words:** Customer relationship management, customer loyalty, customer satisfaction, customer retention, luxury cottages, Internet portal.

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## 1 Introduction

### 1.1 Cottage rental market in Finland

At present, more cottages for rent appear in Finland, but the amount of customers does not increase. In 2002, there were 12 418 registered cottages for rent in Finland. And every year this amount increases (Mökkivuokraus. Mökinomistajan ohjekirja 2005).

There are many companies in Finland providing a variety of cottage-based accommodations in various regions of Finland. Cottage owners try to attract new customers by different innovations and extra services. At the same time customers become more demanding: 98% of all customers want to have a cottage by the sea or lake, the living space of the cottage building should not be less than 60-90 m<sup>2</sup>, 91% of customers prefer not to have neighbours close to them, 98% of customers want to have a sauna in a building, high percentage of customers demand advanced technical equipment, high quality table silver and dishes and etc (Mökkivuokraus. Mökinomistajan ohjekirja 2005). Nowadays it is possible to find and rent a cottage for any demanding taste. There is a high possibility that in future, there will be more cottages for rent, then people who are able to rent these cottages.

Due to the present situation and with the purpose to satisfy the offer of multiple cottage owners, new customers are needed. Russians, Germans and Swedes rent cottages more than other nations (Mökkivuokraus. Mökinomistajan ohjekirja 2005). Nowadays, Russia is a big market with many prospective and prosperous customers; Russia is also a neighbouring country, so an attraction of Russian customers in the area of cottage renting business can be profitable.

It should also be taken into consideration that only several regions and areas of Finland with their cottages can be interesting and easily accessible for Russian customers. Several areas close to the Russian - Finnish border can be used as it is easy to go there by car, there are many sightseeing places and big shopping centres are available. These areas of Finland are Uusimaa, Kymenlaakso, Etelä Karjala, Pohjois-Karjala, Kainuu, Lappi.

Although 2009 and possibly 2010 year can be years of economic crisis, highly prosperous people will still be present, so the demand for high-class, luxury level cottages will exist as well. Most likely, every year, the demand to rent more advanced and more superior class cottages will grow.

## 1.2 The purpose of the thesis

In this thesis the plan of creation of a luxury cottages portal will be described. It is planned that different customers can use the above-mentioned portal to rent superior-class cottages for a vacation or any other purpose. It is planned to focus on the development of the relationship with different customer groups, so customer relationship management theories will be used.

The purpose of this thesis project is to study the business prospects of a newcomer in the market of renting luxury cottages in Finland through creation of a luxury cottages portal.

The subject of this thesis arose from a real business environment. The author of this thesis is working in a company that has experience and also a future interest in developing a luxury rent cottage concept for Russian customers.

The practical cottage renting of the case company has so far been through an intermediary, i.e. Lomarengas. The purpose of this initial stage has been to explore the market and the business opportunities of the rent cottage area, the strength of the demand and profiles of customers wanting to rent 5 - star luxury cottages. Cooperation with Lomarengas was in other words to test how successful the concept is.

## 1.3 Background of the study

A company X has a cottage that can be a good example of a luxury product that can be offered in future: Villa Mäntykallio is situated in a small town called Pernäjä near the cities Loviisa, and Porvoo in Finland. It is 120 m<sup>2</sup> with all technical devices and luxury facilities needed for a superior-class vacation (e.g. two saunas, Jacuzzi, own pier, private beach etc).

As this villa was not advertised and unknown by possible customers or travel agencies and the purpose was to rent it out, the only way to promote it was to advertise it through a big and well-known company that is specialized in renting out cottages and villas. The choice of Villa Mäntykallio's owners was Lomarengas. It is one of the biggest and well-known rental cottage agencies in Finland with a long history and good reputation. (<http://infoweb.lomarengas.fi>)

The cooperation with Lomarengas was made with the purpose to explore the market of rental cottages and to check if there is a demand for such level of cottages and what types of customers want to rent 5 - star luxury cottages.

As a result the company has obtained new customers, but financially the operational method with an intermediary was neither profitable, nor customer-oriented enough. The company

decided as the next stage to study and develop more direct contacts with the market and customers through their own luxury cottages portal

After careful examination of the company's present database, several conclusions were made: 70% of customers are Russian citizens (mostly from Saint Petersburg and Saint Petersburg region). About 20% of other customers were big Finnish companies (who probably made reservation as a bonus for their employees) and the other clients were random people (whom it was difficult to identify as full information about such customers belongs to Lomarengas).

Describing Russian customers, it can be said that approximately half of this 70% of visitors were people who made reservation directly through Lomarengas and other half made the booking through some travel agency in Russia.

As 70% of the cottage visitors were Russians, it was decided to focus more on this segment of customers. As the thesis writer's mother language is Russian, and the majority of Villa Mäntykallio's customers were Russians, it was agreed to make an emphasis on the Russian customers' attraction (language skills made it easier to reach the customers).

At present, knowledge of a Russian language is vital if any company from abroad wants to conduct business with Russian companies, because nowadays not many Russian people are able to speak English. So company X had an advantage, as it was easier to find contacts in Russia knowing the Russian language.

During the campaign to attract Russian customers to rent the luxury villa, It was decided to create a database of existing customers and to work with this group of people and try to establish new contacts and to obtain new customers in Russia.

There was also a possibility to use services of other rental cottage agencies, but after a detailed search of such level of portals nothing significant, well-known and much trusted like Lomarengas was found. The conclusion was that there is no same-sized, well-known and much trusted rental cottage agency in Russia or in Finland.

So there were several options to continue to work with Lomarengas (and to pay them high interest for advertising Villa Mäntykallio) or to work with small travel agencies in Russia and to create the own portal that will be counterbalance to Lomarengas.

It was decided that second and third options can be used, however creation of the own portal is time and money consuming.



As written before, there is a lack of big, trusted, easy-to-use internet portals identical to Lomarengas. In Russia people are usually suspicious about all services, bookings and payments that can be made through the internet. That is why people mostly prefer to go to a travel agency and book a trip from there. It seems that Lomarengas is an exception to this rule, because it is probably the only one trusted and used by Russian customers rental cottage portal.

Nowadays, many Russian people make bookings directly through Lomarengas, but still, many people prefer to use the services of any travel company, so the travel agency makes booking for the final customer through Lomarengas. So, it can be seen - the whole chain is long: customer, Russian travel agency, Lomarengas, Villa Mäntykallio. That is why Villa Mäntykallio's owners decided to start to work independently from Lomarengas.

General principle of working independently from Lomarengas was:

To invite customers who have already made several bookings through the portal to cooperate on another basis (different prices, a possibility to have direct contact with the owners and to be helped or advised if needed in the Russian language, if needed immediately). The purpose is to offer customers exceptional service, so in future they will have no wish to make reservations through Lomarengas or another portal. So it was important to retain these customers.

To try to find contacts with Russian travel agencies, so in future, when there is need and demand, they make reservation of Villa Mäntykallio directly, without other rental cottages portal.

As can be seen Russian customers are the target of Villa Mäntykallio, but at the same time it is complicated to obtain them.

Taking into consideration all above mentioned facts, the plan of creating the own portal was established. Villa Mäntykallio is an example of the product that is going to be offered to the customers. The Same type and level of cottages should be a product of the luxury cottages portal.

The creation of an Internet portal is time and money consuming. It is not efficient to create the portal for one cottage promotion. This is the reason why the cottage owners decided that it can be more profitable to invite several other VIP class (the first class, the best level) cottages owners and organize the own portal the counterbalance and competitor of Lomarengas.

The difference between Lomarengas and the new portal (which it is planned to create) will be based on the level and class of advertised cottages. At present, Lomarengas offers cottages with an absolutely different price range and level (from € 100-200 up to € 2500 - 3000 € and more per week), so it is oriented for all customer groups. Villa Mäntykallio is an example of a luxury product that can be offered from the portal that can be created.

The difference will be based on the fact that the luxury-level cottages' portal will be mostly Russian customers oriented. The purpose is to avoid Lomarengas mediation and participation. It is planned to include as few intermediaries between the portal and final customers as possible. It is important to understand how to serve customers better without the Lomarengas portal and, in the end, how to create a better portal than Lomarengas.

In practice, the portal will be oriented for travel agencies as intermediaries and final customers. The chart below (See Figure 1) can be an example of how it is planned to build the work of the Luxury cottages portal.

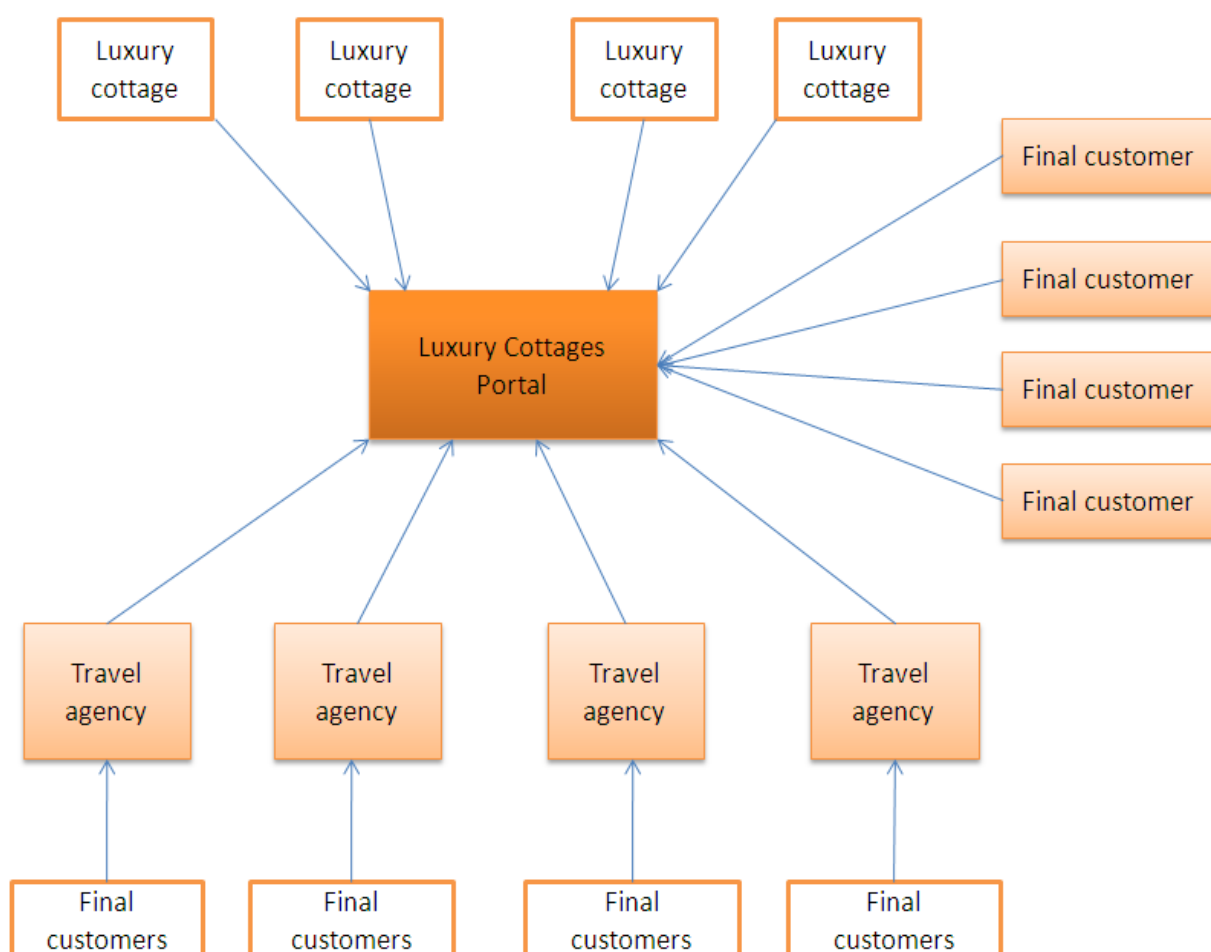


Figure 1: The work of the luxury cottages portal

The purpose of the new portal will be to create only the VIP class or luxury-level cottages portal with high prices and best possible conditions and opportunities for a vacation. This portal will target only one segment of customers - prosperous and successful people with high expectations and an ability to pay the high price for the services they can get. It means that all the cottages that will be included into this portal will be of the same high class and the same level. One of the specialities of the portal will be an exceptional customers' service. So people, who pay the high price for their vacation will receive not only the superior-class cottages, but help if needed, advice and outstanding customer services.

At present in Finland and in Russia such portals do not exist. There are several travel agencies that advertise luxury villas among other types of cottages for final users it is not always easy to search in the database and find the villa that is needed as there is a big quantity of different types of other cottages but there is no separate portal that is specialized in such services. It makes access to luxury cottages complicated as people need to search several rental cottage portals and not all portals even specify different cottages' levels before they find what they need. That gives the owners of Villa Mäntykallio an advantage of new successful business creation.

As it was decided to concentrate more on work with Russian customers in this thesis, the focus will be on development of customer relations with them and retaining already developed relations.

Some methods of work that were applied with Villa Mäntykallio clients can be used while creating customer relations with Russian customers for the new portal.

#### 1.4 The research problem

The purpose of this study is to understand how right customers can be chosen, how successful customer relations can be created and developed, how the customers can be satisfied and retained.

It is important to understand if the creation of Luxury Cottages' portal can be successful and profitable.

The main questions that are needed to be answered in this thesis are: Who are the right customers for the Luxury cottages portal. How can such customer be attracted and satisfied. How can customer's loyalty be established. How can long-term customer relations with the clients be established

The theoretical background that will match the abovementioned business idea and that can help to answer the abovementioned questions should be found with the purpose to be confident in future success.

As this thesis' subject arose from a real business idea, it is important to identify areas on which the author should concentrate more, as it is impossible to analyze the whole business idea in one thesis.

It was decided to focus on customer relationship management (CRM) and relationship marketing, while describing the abovementioned business idea. It was considered that in this particular case, development of successful customer relations can be essential and benefit much the whole business.

Nowadays, several customer relations with Russian customers and Russian travel agencies have already been developed and some conclusions can be made. One of the purposes of the study is to deepen the study of the existing relations and acquire theoretical support in books, scientific magazines, monographs about developing new relations and strengthening existing ones.

It is also important to specify and highlight several aspects of the business idea.

The parties involved in the business chain should be described. There can be several of them in the business area that was planned to develop:

Villa Mäntykallio's owners - people, who plan to develop the idea of portal creation

Different luxury cottages' owners (people, who can become business partners)

Old customers (who are already familiar with Villa Mäntykallio and villa's owners) - people, who can be perspective future internet portal's users

Travel agencies in Russia (as Russian customers are a target group for the portal).

It is important to understand each participant's needs and demands and how can they be satisfied. The question: who else can be involved in the existing network, and how this business network can be created can be answered.

As key actors in the described business are luxury cottages owners, old customers and travel agencies in Russia, it is important to understand how relations between them and Villa Mäntykallio's owners can be deepened and which tools or actions can be used.

The purpose of this business and business study (in respect of CRM) is to deepen the existing relationship by understanding how customers can be satisfied and stay loyal; to try to create stable new long-term relations, to add value in the whole system customer relationship in order to make the whole business function successfully. The intention of this thesis is to understand how the abovementioned can be done.

It is significant to realize who influences the whole situation (developing business) and why this information is important and how it can be used.

### 1.5 Structure of the study

The thesis consists of several sections: an introduction, theoretical framework, methodology of the study, an empirical study, a conclusion and appendixes.

In the introduction the idea and subject of the thesis are presented. Research questions are highlighted. The main aspects of the thesis on which the author is going to concentrate will be shown.

In the theoretical section the author of the thesis describes the theoretical framework that can be applied to the business idea that is going to be presented. As the main focus of the thesis is customer relationship management, several aspects of it will be listed and described. The biggest emphasis will be made on customer satisfaction, loyalty and customer retention.

In the methodology of the study the research methods related to the thesis are described and chosen. Methods of information and knowledge collecting are described.

In the empirical study the analysis of the research will be made. Important and relevant data will be collected and conclusions about the development of the business can be made. The research will help to understand if the whole business idea is successful and which actions should be applied to make this business function efficiently.

In the conclusion section the results of the study will be published. The theoretical section together with the empirical study results will be analysed and decisions how the abovementioned business idea can be developed will be made.

In the appendix the example of questions for the interviews with final customers and travel agencies will be presented.

## 2 Theoretical framework

### 2.1 Main aspects of the theoretical background

It was decided that in this thesis customer relationship management (CRM) will be described. The embodiment of this business idea is closely connected with communication and work with the customers. They are one of the most important actors in this business. It is important to understand better how to develop the successful relationship with the customers and how to retain existing relationship. The general understanding of CRM can help to answer all the abovementioned question.

Several important aspects of CRM, such as customer segmentation, implementation of CRM strategy, customer satisfaction, customer loyalty and retention will be highlighted.

It was decided to concentrate more on such aspects of customer relationship management as customer satisfaction, customer loyalty and customer retention as they are within the sphere of the thesis author's interest. These subjects are practically very important, as better the relationship with the customers developed more the customers would like to cooperate with the company and as a result more profitably this business will function. While developing the business idea, the purpose will be to deepen the relationships with the customers.

### 2.2 Customer relationship management

At present, CRM is considered to be one of the main elements in a corporate strategy.

Customer relationship management is a special business concept that intends to create a stable business with an orientation on a stable relationship with the clients. CRM can succeed if the company knows its clients better than its competitors and uses this knowledge by giving the customer what he/she expects and wants to receive. The purpose is to create very strong relations and bounds, to involve the psychological aspect that the customer will not decide to cooperate with someone else (Corporate management 2009).

Customer Relationship Management is a comprehensive approach for creating, maintaining and expanding customer relationships (Anderson & Kerr 2002, 2).

The Basic concept of CRM is to focus not on a product, but on a client with his "personalization". The client with his interests and wishes becomes more important for the company.

Nowadays, customers want to do business with organizations that understand what they want and need (Anderson & Kerr 2002, 4).

In all phases of relationships with the clients, the organization collects different types of information about its customers and uses it to create the successful business and mutually beneficial relations. Use of CRM transforms the company into more competitive as it knows how to establish the special approaches to each customers. After this, the company is able to obtain new clients and to retain existing ones (Corporate management. Customer relationship management 2009).

According to Anderson & Kerr (2002, 11), to make CRM system functions better, several other success factors should be considered: the strong internal partnership should be created in the CRM strategy (CRM is a way of doing business that involves all areas and members of the organization). Employees at all levels and all areas should accurately collect information for the CRM system (everybody inside the organization should be aware why it is needed and how it can be used). CRM tools should be comfortable and understandable for the customers and employees

At present, for many companies it is not easy to be competitive, that is why many organizations try to apply CRM as it makes an emphasis on a client and on the relationship with him or her by offering him/her incomparable customer services. So if the client can receive the same product from several companies none of the companies can be considered competitive, but those organizations that offer the client an outstanding service together with the product will obtain this client. It is easy to duplicate the product, but it is difficult to duplicate an exceptional service.

The same applies to a cottage business. There are many possibilities for customers to rent VIP cottages and the purpose of the owners of the new VIP portal, that was planned to create, is to develop such a service and such the relationship with customers that next time they will not consider cooperating with other portals or other travel companies. There are several ways to create exceptional customer services that will be described later.

If companies develop their CRM well, sometimes even the price of the product can be not as significant as the quality of the services that the clients receive. If services are good and advanced enough the clients want to cooperate more.

Describing the target customer for the VIP cottage business, it can be said that this segment of people should be extremely wealthy. In Russia not many people can afford to spend a week in a cottage in calm Finland and pay €1500-3000 per week. The explanation is that, although

Russian people travel, but for the Russian mentality and psychology to travel nowadays means to go to a warm, sunny, preferably exotic country and to have beach vacation. Such a tendency for Russian people was developed by the political regime that was in the Soviet Union. For many years during communist regime it was not possible to travel at all or only to travel in pro-communist countries and at present, as a counterbalance, people try to compensate that and to explore some countries that are far from Russia and that can be called exotic. For many people Finland is not the most desired country to visit, as many people have already visited it especially people from St. Petersburg and this region. So, people spend €1500-2000 Euros on a vacation in some exotic place, not Finland. For a second vacation possibly to Finland, to a good quality cottage they do not have enough money.

There is still a segment of people who had already travelled and saw all the abovementioned countries earlier, or at least who are able to travel 2-3 and more times per year, so at present they are interested in a calm, peaceful vacation in Finland. For such people this VIP cottage portal can be created. Especially for those people price is not significant, and especially this segment is ready to pay high price if they like the service and the product. That is why customer relationship management of the luxury cottage portal should be developed and functions in an exceptional, excellent way.

At present, CRM is more a necessity than an advantage for companies that want to create the successful business with their clients.

The purpose of CRM is to find appropriate customer groups that are needed for the business, than to find a profitable segment of customers and retain them (Payne 2006, 7). CRM also helps to understand the exact value of a customer as not all customers are equally valuable and sometimes it costs more for the company to try to retain a certain customer than a possible value that the company can obtain from the client. So for different customers different strategies in obtaining them and in developing relations can be applied.

CRM helps to prioritise customers and estimate exact profit that they can add to the business. If CRM is developed correctly, loyal customers not only stay with the company and bring profit; they also help to obtain new clients by creating the positive reputation for the company (Payne 2006, 8).

The purpose of CRM is to achieve a balance between the value that the company gives to its customer and the value it can receive. It should also be estimated that sometimes the company can give more to its customer than it can receive, but later such time and money investment can be compensated. It should be noticed that taking too much profit from the cus-



tomer can result in his/her dissatisfaction. That is why development of customer relations is a sensitive issue and it should be studied attentively (Payne 2006, 8).

It seems that the development of the one-to-one marketing strategy can be applied to the VIP cottage portal business. The suggestion is that with every customer special relations should be created. That means that there is a direct contact between the customer and the company. Employees of the company know the relationship history with the customers, their needs, preferences, interests. So the customer does not need to repeat same information and their demands regarding to the product or service every time when he or she makes an order or contacts the company. This is an example of the relationship when the company tries to predict what the client wants. These make the client feel his/her significance, understanding that he/she is well known and his/her interests are much prioritised and respected. That is a psychological act that helps to retain a client, because after such an approach it is unlikely that the client will wish to cooperate with another company.

### 2.2.1 CRM strategy

Development of the right strategy is one of the key elements in creation of successful CRM. Implementation of CRM should begin with the planning of a strategy. According to several sources, the strategy development processes are one of the key CRM processes (Payne 2006, 29). As the plan of luxury cottages portal development is under development, it seems useful to develop the type of CRM strategy that can be applied in relationship with the customers.

The main questions that should be answered are: What is needed to be achieved? How can it be done? Who are the target customers? How can the right type of customers be segmented?

A comprehensive CRM strategy is used to define how an organization focuses on and aligns itself to every customer segment, as each customer segment should have a specifically designed strategy (Rosenbleeth, Dallas-Feeney, Simmerman, Casey, 2002).

Some organizations develop their general business strategy, but few develop the CRM strategy, however it is not less important. In a VIP cottage portal business development of the right CRM strategy is important, because customers and the relationship with them are main actors in this area. With the purpose to create a proper CRM strategy it is important to understand the main business strategy of the company, so there will be no misunderstanding in a CRM concept.

One of the most important questions is which segment of customers is needed for the business and which is not needed. So the plan is to identify the target group. It is important to evaluate the type of customers that the company has now. In this case, the customers of Villa Mäntykallio are described.

It is important to understand that the customers are different from each other people and there should be a different approach to everyone in the process of mutual cooperation differently. That is one of the most important principles of CRM, because its purpose is to build successful relations with clients and this can be done if a special way and approach to every client is developed (Payne 2006, 62).

In big companies, each customer cannot be personalized, but in the abovementioned business idea it is not expected to have many permanent customers, so that means that those customers who will use portal's services should be personalized in a special, exceptional way. A special cooperation strategy should be developed regarding to every customer.

#### 2.2.1.1 Customer/market segmentation

Segmentation criteria are used to divide the market. They are the indicators used as the basis to identify or assign the groups of the market (Peelen 2005, 223).

Marketing segmentation means division of the market into homogenous groups based on similar and related characteristics (Simpson 2003, 208).

Before starting to segment the market - it is important to understand if this segmentation is needed at all. If all the customers (in this case renting cottages) need the same product or service, the segmentation is not needed. In this situation it is evident that the market of the cottages is big from cheap to luxury cottages, so the customers are different also (from people with low income to prosperous customers. As a result such customers have different demands and needs. These reasons make understandable - there is a need in the market/customer segmentation (Simpson 2003, 206).

To develop successful CRM strategy customer segmentation should be applied. Better characteristics of the customer's segment are defined, the better approach to customers and as a result relations can be developed.

Market segmentation has many advantages for the business, as it helps the company to understand and analyse better its customers. Careful analysis of market and the customers can help the company to develop and apply specially tailored marketing mix, needed for each client.

Knowing better the market can help to understand demand for the product or service, so the company knows what the customers expect from it and after that it is easier to prepare and adjust to these needs. Market segmentation also helps to identify competitors and react accordingly (Simpson 2003, 201).

To develop successful market segmentation, several characteristics should be taken into consideration:

- According to the measurable characteristics different preferences for a product should be measured. It should also be possible to measure Customers' differences - such as age, use of product, financial status and etc
- According to the heterogeneous characteristics consumers should differ from each other and their demands and preferences to product or service should be different either
- According to the substantial characteristics the chosen market segment should be noticeable and significant enough. It should have its own specialities and features. It should be possible to get profit from the segment.
- According to the actionable characteristics it should be possible to satisfy customer's needs and demands within this segment. It means that the segment should not be too small with too sophisticated demands, so then it could be not profitable enough for the company to try to satisfy the demands of such segment.
- According to the accessible characteristics the chosen market segment should be reachable (Simpson 2003, 207).

Market segmentation can be applied by dividing the market into different groups based on special characteristics. Many different descriptors can be used to characterize the variety of market segments (Simpson 2003, 207).

As Simpson states (2003, 207), the most common bases for the market segmentation are demographic, geographic, behavioural, psychographic and etc. Here are several descriptions of market segmentation:

Demographic segmentation is based on age, occupation, income, level of education, race, gender, family size, family life cycle very important characteristics, because it also influences on the income and a lifestyle, religion, nationality (Simpson 2003, 212).

Geographic segmentation is based on geographical and regional situation and conditions. Types of products and services that can be offered and then sold depend much on a place (country, region). Some products in different regions and countries can be much needed and

demand, but in other countries it can be not needed. It should also be noted that regional differences affect much cultural values and as a result consumer needs and wishes (Simpson 2003, 212).

In general, geographic segmentation is used together with other segmentation descriptors with the purpose to define market segment more understandable (Simpson 2003, 212).

Psychographic segmentation is based on social class, lifestyle, psychological characteristics (interests, moral values). This type of segmentation helps to understand the customers better (their fears, hopes, wishes) and as a result to offer the client a better product and service (Simpson 2003, 212).

Benefits-Sought segmentation is based on special consumer preferences for a specific service or a product. While making market segmentation, this descriptor should be included, as it is important to understand from the beginning what consumers want to receive from a product or a service (Simpson 2003, 212).

Situation segmentation is based on a situation in which, for which or why the customer is purchasing a product or service (Simpson 2003, 212).

Behaviour or usage segmentation is based on a loyalty toward a product and the way, the product or service is used and the type of usage (heavy, medium and light users) (Simpson 2003, 212).

It is important to understand and evaluate every market segment and to create a profile before creating a strategy or any marketing program. A detailed image of a typical customer should be created. Although, such a profile can be general, it can help to create generally the right strategy because some common customers' wishes and demands can be forecasted. It should also be estimated how much profit can bring to the company each segment.

Describing the VIP cottage business, it should be specified to whom the company wants to sell its products or services. According to the business plan, future customers of the cottage can be divided into two groups: final consumers (people, who use the portal directly, without the intermediary) and customers who are intermediaries (in this case travel agents or agencies who make bookings for their clients). That means that CRM strategy should be oriented towards these 2 groups of customers, so two approaches should be developed. It means two types of segmentation should be applied: on final customers and on intermediaries (travel agents) as these two groups are different and require different approaches.

### 2.2.1.2 Final customers

Demographic segmentation can be applied to final customers: financial status and salary are main aspects in this segmentation, as only people with a high salary in Russia can afford to go to a cottage for one week that can cost €2000-3000. In Russia it means that such category of people is very wealthy. That is one of the most important criterion for the final customers. In Russia, mostly businessmen belong to this financial level.

Social status of this group of customers is people who have families, families with children, couples in the age after 40.

Age group of these customers depends on a social status and financial status. Usually, final customers for the luxury cottages portal can be people at the age of 30 with small children or businessmen at the age of 40 and 50.

According to psychographic segmentation and benefits-sought segmentation criterion, as it was mentioned before, people who have families and people at the age of 40-50 can match this criterion.

As the image of Finland as a country is clean, safe and calm, family people would be interested in visiting it. People with children usually want to have a safe vacation close to nature, so the purpose is to improve the health of their children and the own health. Families with children prefer to go to Finland and rent cottages because such type of the vacation can be organised fast, and people can start their vacation immediately after they do the booking\_ especially if the family comes from St. Petersburg, so in case of emergency it is always possible to go back home immediately, and it is much safer than to visit an exotic country or any other country far away. Priority for such customers is cleanness, safety and the healthy environment

People at the ages of 40 and 50 who travelled much before and have seen different countries already are looking for a peaceful and calm vacation. Such people usually want to enjoy nature, possibly, go fishing, and gather mushrooms and berries. As was written before, this category of customers usually belongs to a business sphere. In Russia such people's life is hectic, fast and stressful. So for such customers it is extremely important to find peace and harmony in a cottage where they are going.

According to the geographic segmentation work of the VIP class cottages portal should be oriented on clients from St. Petersburg and St. Petersburg's region as the city and the whole region is neighbouring with high concentration of wealthy people and Moscow although, the

city is more distant from Helsinki than St. Petersburg, the quantity of rich people is bigger. After the research of Pernäjä cottage's database - there were many clients from Moscow as well.

According to the situation segmentation, the majority of customers prefer to rent the cottage in late spring or summer time with the purpose to spend their vacation in a healthy environment, relax and be close to nature.

As many luxury cottages are provided with a conference room, many customers wish to rent a cottage with the purpose to have a business conference in a relaxed atmosphere and at the other time to have a short vacation with business partners or colleagues.

According to the behaviour or usage segmentation, as in any business, it is expected, that some clients will use services of the portal on a regular and frequent basis, others periodically. The purpose of the business is to provide such a service, that clients would like to use the VIP portal and its cottages as frequent, as possible (from 2 to 8 and more times per year). Taking into consideration the type of business and the price of services, average it is expected to sell services to the same client not less than 2 times per year.

#### 2.2.1.3 Intermediaries (travel agencies)

The criteria for the segmentation of intermediaries in this case - travel agents is simple.

From the abovementioned criteria for segmentation geographic selection can be applied. As was already written, it is planned to attract clients from St. Petersburg and Moscow, as a result - travel agencies should operate in Moscow and St. Petersburg.

According to the psychographic segmentation and Benefits-Sought segmentation the travel agency by itself should be oriented to wealthy and prosperous customers, so it should cooperate with luxury cottages. As the majority of such travel agencies' clients are wealthy and demanding people, agencies should be demanding to its partners as well. So the standards and quality of work in these travel agencies should be very high and efficient.

According to the situation segmentation, travel agencies that can be intermediaries for the VIP cottages portal should cooperate with the purpose to rent cottages for their clients any time, any season, any day.

According to the behaviour or usage segmentation It is expected that travel agents that will become VIP cottages portal's partners will be big and successful meaning that such travel agencies will have many clients so it is expected that they will use services of the portal rather often.

Travel agencies' core competence should be Finland, so they should know the market and the country by itself very well.

Such travel agencies should offer services to search and rent cottages in Finland. Many companies can do that in Russia, but for this business idea it would be better if the company rents cottages for the certain period of time and has experience in this sphere.

There are also many companies in Russia that offer some tours to Finland and cruises to Stockholm. Such agencies do not match this business idea, as they do not know cottage business well and they concentrate more on other aspects of the tourist business in Finland.

#### 2.2.2 Establishing customer relations

According to Storbacka & Lehtinen (2001, 68), customer relations consist of different phases. Most common in all industries are establishing, enhancing, and ending the relationship. It is planned to describe establishment and development of customer relations in this thesis.

Almost in every business the customer is the main actor. Without the customer business does not function. To make the business become successful, it is important to be selective in the process of identifying the appropriate customers, as it is impossible to offer exceptional customer service to every client that the company can have (Brown S. A. 2000, 51).

Relationship cannot be created immediately. Usually the process of relationship establishment is long and during this period the customer can be on several stages of the development:

At the stage of awareness parties recognise each other. Parties have already had contacts with each other and decide whether cooperation is needed.

At the stage of exploration or "trial period" parties evaluate their obligations, benefits and limits they can get being involved in this relationship.

At the stage of expansion interdependence between parties increases, so do mutual benefits. Parties are ready to make risk-taking steps as the level of trust is high.

At the stage of commitment partners express implicit or explicit pledge to continue and deepened the relationship.

Not all relationships end with the dissolution stage. Although if there is no development or deepening of the relationship, dissolution can be another option. (Egan J. 2004, 140)

As mentioned, usually successful business starts from attracting customers into it. This can be done by Interactive marketing, that means that the representative of an organisation starts to contact potential customers either directly face-to-face or by telephone, electronic mail, letter or telefax. At this stage it is important to give the customer right, exact information about the company and to leave the good impression as it can increase possibilities of starting and developing successful customer relations (Lahtinen & Isoviita 1994, 46).

As the company attracts its customers by making special offers or promises, it should be noted that all the promises should be fulfilled or if it is impossible to fulfil them, nothing should be promised at all. Unfulfilled promises spoil the company's reputation and disappoint clients, as they have an impression of being cheated. That is why at the beginning of communication, the company's representatives and contact people should be very careful with the promises they make and the first impression they leave (Lahtinen & Isoviita 1994, 47).

It should be also noted that effective communication helps to develop appropriate and professional relations with the customers. As K. Sai Prasaad states, people always prefer to conduct business with people, not institutions or machines. That means that the focus should be on the development of corporate communication, preferably face-to-face communication (K. Sai Prasaad 2009).

Usually, the beginning of the relationship starts with getting to know each other. When both parties are interested in obtaining, spreading and using this information the relationship can start. As Lahtinen and Isoviita claim (1994, 46) establishing successful customer relations requires making potential customers familiar with the company's products and services and the price.

Different methods can be used to spread useful information:

Creation of brand is important for all industries, as in future (in case the brand was developed successfully) not much further information is needed to spread useful information among the customers, use of advertisement (media, etc) and direct marketing campaigns (Storbacka & Lehtinen 2001, 70).



Successful marketing campaigns and the spread of useful information among customers is essential to develop successful customer relations, but it should be noted that it should be done at the right time, with the use of the appropriate quantity. It means that the company should know the market and its clients very well to be able to provide the right information, advertisement at the right time. It is important to provide customers and potential customers with the advertisement, but at the same time it should not be irritating and overwhelming or the customer, as it can produce the opposite result.

It is strategically important that the customer is always updated about the current business situation, so he/she knows what to expect and what is expected from him/her. The customer should also permanently receive positive confirmation of successful relationship development. It will make the customer be satisfied and confident, that the choice of the partner or provider was right (Storbacka & Lehtinen 2001, 75).

According to Dawson (2005, 29) client relationships are a process and they should not be static. If the relationship is not progressing, it is regressing.

In a process of creating positive customer relations, four stages can be recognized: engaging, aligning, deepening and partnering.

At the stage of engaging, the relationships start to be developed. The client and the company have their first contacts and they explore mutual benefits that can be obtained in the process of cooperation. Small -scale transactions are started (Dawson 2005, 30).

At the stage of aligning, the company and its customers start to align their processes, relationship styles, objectives and culture. Knowledge about customers start to be used to deepen relationships. Relationship strategies are discussed and trust development process is started to be established. Discussions about high-level relationship objectives modify the basis of the relationship (Dawson 2005, 30).

At the deepening stage, companies focus on deepening and broadening the relationship, developing deeper client knowledge, gaining varied mutual experience, establishing more diverse projects and lines of business, increasing knowledge transfer and sharing, obtaining more client contacts and attempting to create organization-wide relationship (Dawson 2005, 31) .

At the stage of partnering, several business-to-business relationships change from the buy/sell relationship to one of partnership. Process integration, sharing of exclusive informa-

tion, value-sharing contracts joint development and marketing of intellectual property, joint ventures can take place (Dawson 2005, 31).

All these activities vary depending on the industry and type of the relationship. Customer relationship managers should identify at which stage of the relationship they are with every client and how the relationship can be taken to the next level. If there is no active work that can help to progress the relationship to the next stage there is a possibility of degradation of the relationship (Dawson 2005, 31).

According to Storbacka & Lehtinen (2001, 77), the strength and successfulness of the relationship depends much on how much trust the company received from its client. That is what any organization should try to do in the beginning of any relationship creation.

### 2.2.3 Development and management of long-term customer relations

According to Storbacka & Lehtinen (2001, 77), the greatest potential and profit in customer relations can be in the phase of enhancement and development of it. For better profit, companies should concentrate their efforts more on customer retention, not only on establishing relations with the clients.

Before starting to develop and deepen relationships with the customers, it is important to evaluate them and select those customers which can be more profitable. Customers can be differentiated by their value to the company and by their own needs (what they expect to get from the organization). It is not profitable to spend time on creating high-cost relationship with low-value customers. There is a principle the longer the customer stays with the organization, the more customer is worth. Long-term customers occupy less company time, buy more and express less sensitivity to price; they can also recommend new clients for the business (Brown S. A. 2000, 51).

After the relationships begin, the company can start to increase the value of the relationship. This can be done from different prospective: benefit from customer's competence, reference value and relationship profitability. The value and strength of the relationship depend much on the longevity of the relationships - longer the relationships are, more profitable they are for the organization. More stable the relationship is, easier can problems be solved and more opportunities to increase value appear (Storbacka & Lehtinen 2001, 77).

#### 2.2.3.1 Customer satisfaction

One of the key elements of business success and profitability is customer satisfaction. Usually, the more satisfied the customer, the more durable is the relationship. The longer this lasts, the more money the company can earn (Payne, Christopher & Clark 1996, 248).

According to Gummesson (1999, 8), understanding customer needs and wants and satisfying them is the basis of marketing. A company will succeed if it offers goods and services that satisfy customers' needs and create value for them.

Customer satisfaction is an important element of customer relationship management. Satisfaction is a relative concept showing the customer's expectations as well as the performance of the product. Customer satisfaction, or dissatisfaction, is the feeling a customer has about the level to which its experiences with an organization have met its needs (Hill, Roche & Allen 2007, 31).

Customer satisfaction can be viewed as the fulfilment of the consumer's response. It is a judgement that a product or service provided a pleasurable level of consumption-related fulfilment (Egan 2001, 108).

Customer satisfaction is a psychological process of evaluating perceived performance results based on predetermined expectations. Therefore, customers are satisfied when their expectations are positively confirmed. The bigger the negative difference between the level of expectation and the result of such expectations is, the bigger the level of dissatisfaction is (Egan 2001, 108).

As Egan states (2001, 109), there are several satisfaction types:

- Confirmed standards type leads to moderate satisfaction.
- Positively confirmed standards (better than expected) lead to high satisfaction
- Negatively confirmed standards (worse than expected) lead to dissatisfaction

According to relationship marketing theory the profitability of the business is enhanced when customer retention is high. Customer retention in the competitive market depends on customer satisfaction (Egan 2001, 108).

It should be noted that the customer survey can indicate the level of customer satisfaction, but it should be made in a careful and professional style, as unsolicited electronic mails will be perceived as the useless information and wrongly asked questions will not be replied. All the unprofessional methods of measuring customer satisfaction can lead to general dissatisfaction. In many cases solving the customer problem can increase satisfaction. To be able to

solve the customer's problem, right and appropriate questions in the appropriate amount should be asked and useful surveys should be applied (Kincaid 2003, 329).

The concept of customer satisfaction is closely connected with another concept customer loyalty. According to Baran, Galka & Strunk (2008, 320) if satisfied customers may or may not remain loyal, dissatisfied customers will not remain loyal. There is a high risk that dissatisfied customers will tell more people about their bad experience with a company than satisfied customers with good experience. As a result, satisfaction has an impact on loyalty and profit. Thus, if the customer is dissatisfied, it damages the company in two ways: loss of that customer (and business with him) and negative word-of-mouth leading to the loss of business from many other customers and potential customers.

The satisfaction level can also be seen as a measure of the bond between a customer and a company. Three types of relationship that a company can have with its clients can be identified:

An acquaintance relationship type of the relationship exists when a customer is satisfied with the product or service that is provided because the product or service is the same as what the customer can get from the other providers of the same product or service. Such a level of satisfaction cannot guarantee loyalty as the competitor offers the same service or product. Any situation or reason can affect the customer to change to an alternative (Baran, Galka & Strunk 2008, 322).

A friendly relationship exists when the consumer trusts that a company provides different values (Baran, Galka & Strunk 2008, 322).

A partner relationship exists when the customer is committed to the company because it provides customized value. When such commitment exists, both parties try to maintain the relationship. Such relationship is more likely to occur in Business-To-Business (B2B) sector, although, it can also occur in the business-to-consumer (B2C) sector (Baran, Galka & Strunk 2008, 322).

From the above, it can be seen that the relationship can be different as it changes from satisfaction to trust and then to the commitment. That is why customer satisfaction only cannot lead to loyalty as sometimes it indicates that only weak relationships exist between the customer and a company (Baran et al. 2008, 322).

Every company can decide, depending on the company's customers and industry, what type of relationship they want to develop with their customers (Baran et al. 2008, 322).

According to the abovementioned business idea about creation of VIP-class cottages internet portal, friendly relationship and partner relationship should be applied.

With the final customers, such as private people who will use the portal's services without intermediaries, friendly relationship can be developed. Partner relationship can be developed between the portal and travel agencies, who are expected to be intermediaries between the portal and final customers.

It is considered nowadays that keeping existing customers is more profitable than trying to obtain new ones. That is because profitability of customers grows permanently - if their requirements are met and exceeded.

To sum up, customer satisfaction is very important for successful customer relations because: satisfied customers become less price sensitive, they cost less to service, they recommend the supplier or company more and it is said that referred customers are more loyal than those acquired through marketing activities, every customer that a company keeps, reduces the need for the big investment required to obtain new customers.

According to Harvard and Michigan Business schools, companies with highly satisfied customers are more successful financially than those providing bad service. From the psychological point of view, people seek to repeat pleasurable experiences and avoid unpleasant ones (Hill et al. 2007, 26).

As Gummesson wrote, understanding customer wants and needs and satisfying them is basis of marketing. A company will succeed if it offers goods and services that satisfy needs and create value for customers, customer satisfaction and the right customer-perceived quality. It means that improvement in customer-perceived quality will increase customer satisfaction, loyalty, and profitability (Gummesson 1999, 8).

#### 2.2.3.2 Customer loyalty

At present, the term customer loyalty is one of the most important in CRM and relationship marketing. It is estimated that 15-20% of the amount spent on gaining a new customer needs to be invested to keep this customer's loyalty. Modern management concepts and strategies try to focus on maintaining the loyalty of existing customers (Hennig-Thurau & Hansen 2000, 109).

As Hennig-Thurau & Hansen claim (2000, 110), according to the results of different researches "dedicated" or very satisfied customers are most proactive and positive with regard to repeat business, recommending it to others, and cross-buying. Customers with only a satisfactory opinion are very indifferent in terms of future loyalty to the business and often only passively recommend the business to others.

The connection between customer satisfaction and customer loyalty is assumed to be stable. That is why it is important not to have customers that are only satisfied they must also be enthusiastic and dedicated. This means offering services beyond customer expectations (Hennig-Thurau & Hansen 2000, 110).

As Brown (2000, 65) recommends, before focusing on the creation of customer satisfaction and loyalty, it is important to understand who is a good customer for the organization. Based on this, the enterprise can target its cooperation and further the development of loyalty and lifetime value for individual customers as well as for the whole customer portfolio.

There are four basic situations in a customer relationship:

1. The customer is loyal and profitable. The enterprise focuses on deepening the relationship, strengthening loyalty and optimizing profitability through cross - and up-selling.
2. The customer is loyal but unprofitable. The enterprise should maintain the relationship and secure loyalty because the customer may still become profitable through cross - and up - selling. If not, the customer should not be needed for the organization.
3. The customer is profitable but not loyal. In this case the enterprise should focus completely on strengthening the relationship and building loyalty.
4. The customer is not loyal and unprofitable. It should be considered to stop cooperating with such a customer (Brown 2000, 64).

Although Storbacka & Lehtinen claim (2001, 82) that customer satisfaction does not guarantee customer loyalty, loyal customers are more profitable to the organization than others. This can be explained by several factors: the regular cash flows generated by loyal customers make it possible for the organization to invest in the creation and development of a new relationship, it is easier to develop the existing relationship than to establish new ones, current customers can help to establish a new relationship with a new customer by giving good recommendations to the organization.

Loyalty by itself is an emotion that occurs when an individual has a vested interest in maintaining a close relationship, usually resulting from a series of positive experiences that have occurred in the past (Kincaid 2003, 9).

According to Kincaid (2003, 10) the term customer loyalty means a behaviour built on positive experiences and values, the behaviour of buying a product or service, even when that may not be the most rational decision.

An Internet (Marketing communications terminology 2009) gives the definition of customer loyalty as feelings or attitudes that incline a customer either to return to a company, shop or outlet to purchase there again, or else to re-purchase a particular product, service or brand.

These definitions can be too limiting. Customer loyalty is the result of an organization creating a benefit for a customer so that it will maintain or increase their purchase from the organization. Factual customer loyalty is created when the customer becomes an advocate for the organization, without incentive (Brown 2000, 55).

Before loyalty can be achieved, the organization must define its own customers loyalty concept by itself. An organization should develop the relationship with its customers same as a courtship process. Mutual loyalty and trust should be built gradually and selectively. The enterprise that builds relationships obtains the customers (Brown 2000, 57).

According to Brown (2000, 58), there are several phases, of the relationship development:

At the courtship phase the enterprise starts to know its customer. In this phase loyalty is considered very weak because it is not based on the relationship, but on the first impression, products and prices. The customer may change its supplier and start to cooperate with a competitor if the competitor's products and prices are better (Brown 2000, 59).

At the relationship phase mutual satisfaction increases and a solid relationship is created. The customer and the enterprise start to know each other better. The enterprise starts to know the customer's attitude before and after the purchase. Loyalty is no longer based on price and product alone. The relationship is stable enough for loyalty to no longer be seen as transitory. Both parties begin to see benefits in continuing to develop the relationship (Brown 2000, 59).

At the marriage phase the long-lasting relationship is mutually agreeable, and both parties become linked. At this stage, loyalty is based on a high degree of satisfaction and the customer will be personally involved with the enterprise. As the relationship continues, the

bonds between customer and enterprise are gradually strengthened, the feeling of customer satisfaction increases with its loyalty to the enterprise (Brown 2000, 59).

For the marriage or the relationship stage to continue, both the enterprise and customer must receive a positive benefit. The purpose is a feeling of mutual trust and a wish to continue the relationship (Brown 2000, 59).

If the customer and the enterprise are in the marriage stage of their cooperation, the customer becomes the advocates - the customers that are by their cooperation advertise the enterprise. The prerequisites for this are that all the basic conditions of service, quality, price and etc are in order. It is impossible to establish loyalty if products or services are of bad quality (Brown 2000, 59).

Describing the business idea of luxury cottages portal, it is planned and wished to be on all the abovementioned stages to influence the business's well functioning and to create the solid and trustful relationship.

As Hennig-Thurau & Hansen write (2000, 110), customer loyalty can also be understood as a result experienced by the customer. Customer loyalty is a complex and dynamic concept. Several characteristics can be considered as indicators of it: future purchasing behavior, repeat business, buying frequency, percentage of a customer's spending in the respective segment claimed by a company, cross buying, and recommendations to others.

Egan (2001, 42), offers several loyalty-type behaviour:

"Switching behavior", where purchasing is evaluated as the decision is - either the customer stays with the supplier (loyalty) or changes it.

Unstable behavior is a behavior where the customer either purchases much from the only one supplier on a loyal basis or changes the suppliers permanently.

Polygamous behavior where the customer makes regular purchases but its loyalty is divided among a number of products. The customers must be more or less loyal to any brand that they use.

According to Egan (2001, 43), only one tenth of buyers are 100% loyal, it means that describing the abovementioned business idea, unstable behavior of customers is decided to apply.



According to Hennig-Thurau & Hansen (2000, 31), there are three main benefits of customer loyalty:

First, loyal customers may stabilize the business. Certainty signifies more stability with the customer relationship. This can be expressed by habitual purchase decisions, apparent customer resistance to competitors' activities and a higher tolerance of mistakes made by the supplier. More certainty may be achieved through increased customer feedback, which is more intensive when it comes from a loyal customer. Increased feedback and more frequent contact also gives a supplier more and better information about the way how customer relationship is developed and how it can be improved if needed. There is also more trust in a supplier-customer relationship involving loyal customers, agreements between them tend to be more reliable (Hennig-Thurau & Hansen 2000, 31).

Second, the customer loyalty refers to the growth of the company. If activities are centered on retaining existing customers, then growth can be achieved by using much potential of these existing customers and by gaining new customers. Existing customers can recommend the suppliers to others. It is known that good recommendations and positive word of mouth are the best and the cheapest kinds of advertisement (Hennig-Thurau & Hansen 2000, 31).

Third, the customer loyalty leads to more profitability through cost savings and revenue increases. Cost savings can be achieved by avoiding costs when gaining new customers. In many cases, customer management is cheaper when the customer is well-informed and different business processes and procedures, such as ordering or delivery can become a routine process. Loyal customers can also be less sensitive to price and be prepared to accept higher prices. There is a possibility that loyal customers can bring additional revenues through their cross-buying activities (Hennig-Thurau & Hansen 2000, 31).

As Baran, Galka & Strunk 2008 write (2008, 326), a customer's reaction of liking, loyalty and preference toward a brand may be based on one of four levels of meaning the brand has for her/him:

Liking and preference can be based on the benefits the brand provides. They can be:

- a. functional benefits (how brand can provide a direct gain of security, health, money)
- b. Emotional benefits (effect emotions)
- c. Internal benefits (how brand can provide the feeling of self satisfaction and having done the right choice)

The brand's "personality" conveys the type of personality they would like to convey to others

The brand attributes have special meaning (in a case of creating luxury cottages portal, there would be a stress made on luxury and high class of cottages and people who rent them)  
The brand conveys the company's values and the value of the company's host culture.

As Brown (2000, 65) writes, in order to achieve customer loyalty, the enterprise should start with a holistic description of the customer. Information about the customer should be a strategic asset. The customer should be much cared. Team-based selling should be applied.

In summary, it can be said, that customer loyalty is an important purpose of relationship marketing and customer relationship management; and an important contributor to the shareholder value of a company (Hennig-Thurau & Hansen 2000, 33).

#### 2.2.3.3 Mutual influence of customer satisfaction loyalty and retention

As mentioned before, acquiring new customers is more difficult and expensive than keeping existing ones. That is why it is important to understand how exactly customer relations function, what customers like about the offers they receive, what makes customers change to competitors, and why some customers give a large proportion of their business to one supplier and only a small proportion to others (Huber & O'Gorman 2008, 163).

Gupta & Lehmann (2005, 27) claim that the longer customers stay with the company, the higher the profit generated from them. Several factors contribute to this increase. Spending increases over time as customers become more comfortable doing business with a firm. The cost of serving a customer reduces over time it is more expensive to serve a new customer than an old, loyal one. Regular customers place frequent, consistent orders and, therefore, usually cost less to serve. Longer-established customers tend to buy more. Loyal customers are less price-sensitive therefore, a company can charge them a price premium. Satisfied customers may sometimes pay premium prices. Retaining customers makes it difficult for competitors to enter a market or increase their share. The cost of acquiring and serving new customers can be substantial. A higher retention rate implies that fewer new customers need to be acquired, and that they can be acquired cheaper (Payne et al. 1996, 248)

Retention, in a marketing sense, means trying not to lose the customers. If an enterprise's employees become aware in time of those customers who demonstrate a likelihood of ending the relationship, then they may act accordingly to prevent this. It means that the organization should always be aware if its customers are satisfied enough (Peelen 2005, 239).

Gupta & Lehmann (2005, 72) write that after making an investment in a customer satisfaction program, a manager should not only monitor the satisfaction level but also link it to the purchase behaviour to determine how the program influenced customer retention. This analysis

then helps determine whether or not the investment in a customer satisfaction program provided an appropriate return.

According to Huber & O’Gorman (2008, 163), many companies regularly conduct customer surveys to measure customer satisfaction, however these results cannot be absolutely reliable, as even satisfied customers can refuse to cooperate. Satisfaction without loyalty can lead to accustoming and boredom. The customer can be interested in experiencing something new and therefore changes his/her supplier.

It is known that companies prefer those customers who are satisfied and loyal, but as many companies have different strategies, they cannot meet the needs and requirements of all customers. That is why it is preferable to focus on satisfying and retaining a certain group and percentage of customers (Huber & O’Gorman 2008, 164).

Huber & O’Gorman (2008, 163) write that Harvard professors Jones and Sasser offered a typology of customer evaluation on the dimension of satisfaction and loyalty.

Customers “Apostles” represent the ideal customers: they are satisfied and loyal (43%). 28% are customers “Mercenaries”, who are also satisfied but less loyal. These types of customers are regularly waiting for the next bargain.

Customers “Hostages” (9%) for various reasons cannot stop cooperation with the company, although they are dissatisfied. Technological dependencies, long-term contracts or logistical and regional restrictions can be the reasons not changing the supplier. 20% of the customers who are called customers “Terrorists” are neither satisfied nor loyal. They had a negative experience with the products and services of the supplier and in return they damage the image of the company by telling colleagues and business partners about it (Huber & O’Gorman 2008, 165).

As a result, satisfied customers only are not enough for the company. Dissatisfied but loyal customers “Hostages” are needed for the organization, that is why it is important to understand the reasons of their dissatisfaction and try to correct them. Companies with a large proportion of customers “Terrorists” must identify the causes for this, as if these customers are more effectively cooperated with, a number of them can be acquired back (Huber & O’Gorman 2008, 165).

Almost all companies have dissatisfied customers, and if a company succeeds in binding dissatisfied customers to long-term contracts, and then trying to find reasons of their dissatis-

faction and correct them, such customers can become even more valuable than satisfied customers (Huber & O’Gorman 2008, 165).

According to Gupta & Lehmann (2005, 73), not all customers have the same inherent attraction to the company. Some may receive very high value from the company, while others may consider the benefits unimportant. While the first group can be retained relatively easily, the second group is hard to retain. To change marginal customers into loyal is an expensive task, but their retention can be increased by giving them special business offers, something that will interest them.

Payne et al. (1996, 294) offers four steps that a company should consider in designing a successful customer retention strategy:

The first step is to measure customer retention. If customer retention is not measured, it will not be managed. It is possible to estimate it, using internal file data that should exist in a company (Payne et al. 1996, 294).

The second step is to Interview former customer. The information that can be provided by former customers can be more trustworthy, specific and actionable than another market research. Customers can leave for various reasons, not all of them are preventable. Some defects result from external forces, others can be prevented if corrective actions are taken or new strategies are adopted (Payne et al. 1996, 294).

The third step is to analyze complaint and service data. Complaint data can be very important for the analyst who wants to identify problems that cause customer defection. Listening and acting on complain can help retain not only the customers who complained, but those, who did not (Payne et al. 1996, 294).

The forth step is to identify changing barriers. A good retention strategy should be more important than problem resolution. It should identify barriers that will prevent a customer from changing to a competitor, even one who is perceived as offering a better product/service by lower price. Strategic bundling can also create a barrier to failure. A bundle is a group of products or services offered as a single cost-saving and convenient package. Team account management should also be applied, so that customers consider themselves known and respected by all the members of the organization they are cooperating with on different periods of mutual cooperation.

As Payne et al. (1996, 258) consider, it is not intelligent to launch customer retention programmes to all existing customers, but only to those carefully selected customers where the

company concludes that there are additional client needs that the company can serve and the relationship is good enough to raise the probability that a marketing effort will be compensated. It should be noticed that before developing customer retention programs, all the customers should be categorized and evaluated, so the customer retention program can be applied to the right and useful customers for the business.

### 2.3 Theoretical framework conclusion

In the theoretical framework several aspects of CRM were described and analysed. As the purpose of this thesis is to concentrate more on the development of long-term customer relations, such components of successful long-term customer relations as customer satisfaction, loyalty and retention were researched. As the purpose of the research is to deepen the relationship with customers and to change it to different level, the biggest section of the theoretical background was written about customer satisfaction, loyalty and retention. It is important to understand how all these aspects of CRM in the context of the business idea can function together and be improved.

Segmentation of the customers was also mentioned in the thesis with the purpose identify the potential clients and to understand how each particular customer group's demands can be satisfied.

The whole theoretical part of this thesis shows the importance of customers satisfaction as it leads to customers' loyalty and further to customers retention. Customers retention is significant for the whole business as it is cheaper to invest money and efforts in retaining already acquired customers than trying to acquire new ones. The higher the customers satisfaction level is, better the whole business functions.

## 3 Methodology of study

In order to implement a successful business idea, empirical study is needed. Marketing research will be used to understand how the successful business can be developed.

Malhotra & Birks (2003, 6) give the definition of marketing research as a key element in the field of marketing information. It links the consumer, customer and public to the marketer through information which is used to identify and define marketing opportunities and problems; to generate, refine and evaluate marketing actions; and to improve understanding of marketing as a process and of the ways in which specific marketing activities can be made more effective.

The task of marketing research is to provide relevant, accurate, reliable, valid, and current information. The competitive marketing environment and the increasing costs attributed to wrong decision making require that marketing research provide sound information (Malhotra & Birks 2003, 6).

Saunders, Lewis & Thornhill (1997, 3) consider that the research process should be based on a series of linked stages (See Figure 2). It is planned to follow these stages to make an objective research.

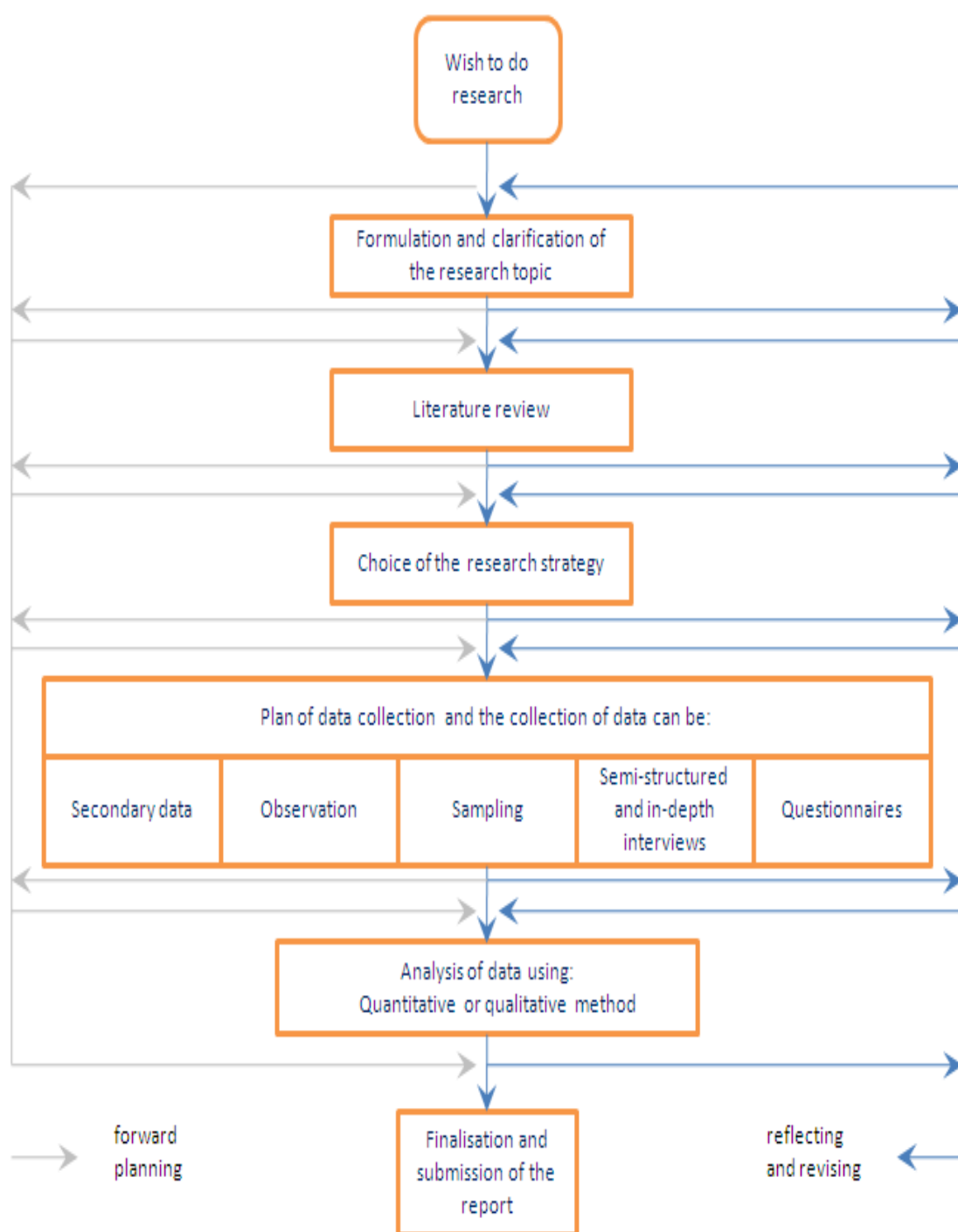


Figure 2: Linked stages of the research process

Formulation and clarification of the research topic is one of the most important research elements. Once it is clear, it will be easier to choose the most appropriate research strategy and data collection technique (Saunders et al. 1997, 11).

### 3.1 Research purpose

The purpose of the business idea is to create a successful and prosperous business. In this thesis much is written about customer satisfaction, loyalty and retention. If in reality this aspect of the business is developed well, the business should function well and with a profit. That is why it is planned to research how business customers can be satisfied, transformed into loyal customers and retained.

As Saunders et al. (1997, 12) write, it is important that the research topic can be studied and analysed. The ability to use financial and time resources to undertake the research on the topic has an impact on the capability as well. It is important that the data that is needed to complete the research is accessible. It should also be noted that the issues within the research are capable of being linked with the theory. One of the attributes of a good topic of research is also clearly defined research questions and objectives. Finally, the research topic, and the research itself should deepen the thesis and make it easier to understand how the business should be developed further.

### 3.2 Research method/research strategy

Research strategy is a general plan of how main research question be answered. Sources from which it is planned to collect data should be specified also (Saunders et al. 1997, 76).

According to McDaniel & Gates (2006, 78), there are two types of research: quantitative and qualitative.

#### 3.2.1 Quantitative research

Quantitative research is the research that uses mathematical analysis, numerical data. Quantitative research techniques seek to quantify data and apply some form of statistical analysis. The purpose of quantitative research is to classify features, count them, and construct statistical models in an attempt to explain what is observed (McDaniel & Gates 2006, 78).

#### 3.2.2 Qualitative research

Qualitative research is the research whose findings are not subject to quantification or quantitative analysis (McDaniel & Gates 2006, 78).

Qualitative research techniques are unstructured, based on small samples, intended to provide insight and understanding. Qualitative research can be used to examine the attitudes, feelings and motivations of customers/product or service users. In the qualitative approach,



the researcher is trying to search for better ways to understand consumers' thought process and motivations (Malhotra & Birks 2003, 131).

As it was planned to receive the information about customer satisfaction, loyalty, possibilities of customer retention, and ways to attain these, it is decided to apply the qualitative research method, as it involves customers' emotions and attitudes.

Qualitative marketing research is a set of research techniques used in marketing and the social sciences, in which data is obtained from a small group of respondents and not analyzed with statistical techniques. This differentiates it from quantitative research in which a large group of respondents provide data that are statistically analyzed (Academic dictionaries and encyclopedias 2009).

The main types of qualitative research are:

Depth Interviews is an interview that is conducted one-to-one, and lasts between 30 and 60 minutes.

"Laddering" is a technique used by depth interviewers in which the interviewer starts with questions about external objects and external social phenomena, then proceeds to internal attitudes and feelings.

Hidden issue questioning is a technique used by depth interviewers in which they concentrate on deeply felt personal concerns.

Symbolic analysis is a technique used by depth interviewers in which deeper symbolic meanings are probed by asking questions about their opposites.

"Focus Groups" is an interactive group discussion lead by a moderator.

"Projective Techniques" are unstructured prompts or stimulus that encourages the respondent to project their underlying motivations, beliefs, attitudes, or feelings onto an ambiguous situation (Academic dictionaries and encyclopedias 2009).

From the above mentioned types of qualitative research, it is planned to use an in-depth interview to conduct the research.

It is planned to interview 4 final customers, who were already customers of Villa Mäntykallio and 3 intermediaries (all 3 are travel agencies).

An interview is a purposeful discussion between two or more people. The use of interviews can help to gather valid and reliable data which is relevant to the research questions and objectives (Saunders et al. 1997, 210).

According to Saunders et al. (1997, 211) interviews may be categorised as either structured, semi-structured or unstructured.

Structured interviews are interviews where the use of questionnaires based on standardised or identical set of questions.

In semi-structured interviews (Non-standardised interview) the researcher has a list of themes and questions to be covered, although these may vary from interview to interview. It means that some questions can be omitted, some new can be asked. The order of questions may also be varied depending on the flow of the conversation. Additional questions may be required to explore the research questions.

In unstructured interviews (Informal interviews) there is no pre-determined list of questions to work through, although the aspect that is needed to be explored is required.

It is planned to use semi-structured interviews in a research project related to the business idea of creation of the luxury cottages internet portal.

As mentioned before, Luxury cottage portal clients can be divided into two groups: final customers and intermediaries (travel agencies). Both categories are important for successful business development, so it is planned to conduct interviews with representatives of both categories. As at present Pernäjä cottage owners have business relations with the representatives of both groups, it was decided to interview these representatives. Possibly, both final customers and intermediaries can be customers of the VIP cottages portal.

As all the customers live permanently in Russia, it was agreed to make telephone interviews.

### 3.3 Data collection

One of the most important aspects of conducting a good thesis and research is being able to access, collect, analyze and use relevant and trustable information.

As Maylor & Blackmon claim (2005, 98), in the beginning of the research process it is important to understand what kind of information is relevant and needed. Relevant information

includes, for example, information about the research subject, where the needed information can be searched and how data can be collected and analyzed.

As secondary data, literature reviews, course books for business students, magazines, management journals, monographs and edited books, internet publication, articles and internet web pages were used. Empirical data was collected through several telephone interviews.

### 3.4 Data analysis

As Saunders et al. (1997, 339) write, the analysis of qualitative data is a demanding process and requires efforts. The meaning of qualitative data has implications for its collection and analysis. It cannot be collected in a standardised way, like the quantitative data, as the emphasis is made not on numbers, but on words. During analysis, the non-standardised and complex data which was collected is needed to be classified into categories; however there is no standardised approach to the analysis of qualitative data.

Qualitative research results in large amounts of subjective and extensive data. This data usually originates from interview transcripts or observation notes and must be limited to represent major themes or categories that describe the subject being studied (Bryne 2001).

All qualitative research studies are unique and thus demand unique strategies for analysis. Qualitative data analysis consists of identifying, coding, and categorizing patterns originated from the data. The clarity and applicability of the findings, however, depend on the analytic skill of the researcher. It is compulsory for the researcher to report and document his or her analytic processes and procedures fully and truthfully so others may evaluate the credibility of the researcher and his or her findings (Bryne 2001).

According to Saunders et al. (1997, 348), there are different approaches to the commencement of data analysis:

According to the “Deductive position” approach existing theory should be used to shape the approach which will be accepted to the qualitative research process.

According to the “Inductive position” a theory should be found which is adequately grounded in a number of relevant cases.

In the “Grounded approach” data is collected, and then explored to find which themes or issues to follow up and concentrate on.

It was decided to apply grounded approach in the conducted research. Grounded theory is a theory derived from data, systematically gathered and analysed. In a grounded theory data

collection and data analysis occur in alternating sequences. Analysis begins with the first interview and observation, which leads to the next interview and observation, followed by more analysis and more interviews (Malhotra & Birks 2003, 145).

Malhotra & Birks (2003, 206) describe the process of qualitative data analysis as four steps:

“Data assembly” is a process of data gathering from a variety of sources (Malhotra & Birks 2003, 206).

Data reduction is data organizing and structuring and restructuring. Data reduction includes a process of coding data, which means separating data into discrete parts and attaching a reference to those parts of data. This is done with the purpose to be able to analyze separated data units. Coding is a process that enables the researcher to identify what they consider as meaningful and to be able to make conclusions and interpret the meaning. Coding is a major process involved in data reduction. The process forces the researcher to focus upon what is believed to be the most valid meaning in the data (Malhotra & Birks 2003, 206).

Data display is involves summarising and presenting the structure that is considered in the collected data. The display allows a view of how the connections between the different data units were made. The logic of the connections should be clear (Malhotra & Birks 2003, 206).

Data verification involves seeking alternative explanations of the interpretations of qualitative data, through other data sources and theories. It is needed to demonstrate that valid meaning of the collected data was presented and the structure or meaning that the researcher considers is not only a reflection of his/her own views (Malhotra & Birks 2003, 206).

### 3.5 Research validity and reliability

According to Golafshani (2003), applying of reliability and validity are common in qualitative research.

Validity determines whether the research truly measures what it was intended to measure or how truthful the research results are. Researchers generally determine validity by asking a series of questions, and will often search the answers in the research of others. An interviewer may falsify part of an answer to make acceptable or not true answers. Validating the research means verifying that the fieldworkers submitted authentic interviews. This can be achieved by asking respondents to give their names and telephone numbers at the end of an interview (Malhotra & Birks 2003, 145).

Reliability means the extent to which results are consistent over time. If the results of a study can be reproduced under a similar methodology, then the research is considered to be reliable (Golafshani 2003).

The validity of the research can be proved by contacting the same people that were interviewed by the author of the thesis. Several respondents preferred not to mention their names and surnames in this work without explanations, but there are several respondents who agreed to give their contact information that can be checked in case of need these people agreed to confirm the results if they will be questionable. The author of the thesis has all the contact information of the abovementioned respondents.

It is difficult to describe the reliability of this work's results, as during the research, human emotions, feelings and subjective points of view were expressed. If over time the same people would be asked the same questions, their opinion can be changed or it can be the same. That is difficult to predict and it depends on many factors. However as the answers of the respondents were logical and explainable, there is a possibility that the results of the research will be almost the same. If other people would be asked the same questions within the same period of time, political, economic situation, there is still possibility that the answers will be similar to the answers that were obtained during this research.

## 4 Empirical study

### 4.1 Current situation analysis

At present it is difficult to give the objective evaluation of the luxury cottage portal business situation, as the business by itself is in a development stage. There are several contacts with final customers and intermediaries that were established, but this cannot guarantee successful functioning of the portal by itself. The research is needed to understand what is valued and demanded by the customers; how customer relationship management of the luxury cottages portal can be improved.

### 4.2 Research, interview results

As mentioned before, the research and the interviews were held for two groups of customers: intermediaries (travel agencies) and final customers (Interviews questions are attached in appendices 1 and 2). That means that the analysis results and conclusions were made for two types of customers.

The final customers and the intermediaries were interviewed via cell phone. All the interviews were be recorded and then carefully analyzed.

#### 4.2.1 Final customers

Several final customers who rented luxury cottages before and who used the services of Lomarengas, were questioned with the purpose to know what can influence their decision to cooperate with the luxury cottages portal. The majority of customers were from St. Petersburg, only one was from Moscow. All the interviewers are at the age from 30 to 45 years old, they are wealthy businessmen, businesswomen and they preferred not to mention the line of business they are working in. There is equal quantity of men and women who were interviewed.

What makes you establish relations with the luxury cottages portal? Answering this question, everybody mentioned that the product that the portal offers should be “attractive”, if the product is interesting and needed all respondents claimed that they will establish relationship with the portal. Everybody also mentioned that the security of mutual cooperation with the portal is vital, because if people are going to use their credit or bank cards, they want to be sure that the money will reach their point of destination and as a result the customers will receive their product, in this situation the cottage. It was clear that the question of payment transaction security was one of the most important as in all the other answers every interviewee expressed anxiety about money issues.

What makes you cooperate with the Portal? Answers on this question were similar to the answers on the first question. Everybody said that if they were satisfied with the functioning of the portal during the first interaction, they will likely continue the cooperation. Two respondents said that if they receive discount or some bonus or benefit, it will stimulate their wish to use services of the portal in future. Everybody mentioned safety again if it is safe to use services of the portal - people will most likely continue the cooperation.

What do you value in mutual cooperation and business relations? Again, on this question everybody unanimously answered that security is one of the most important aspects of cooperation. Several respondents said that flexibility is important for them as very often their schedule changes and it is convenient if the portal can respect that and in some situations not to take an extra charge for cancelling the booking or other booking changes. Interviewees mentioned that the fast reaction and fast replies are important for them as businessmen and businesswomen's life is dynamic and it is convenient if other people (portal employees) understand that and react accordingly.

What can make you cooperate with the Luxury cottages Portal instead of Lomarengas? Everybody answered that competitive prices can influence them cooperate with the luxury cottages portal instead of Lomarengas. Again the question of safety was discussed Lomarengas is a very well-known portal in Russia with a good reputation, so people trust this organization. So if luxury cottages portal has the same good reputation it will be very competitive. Interviewers mentioned that the easiness of portal functioning is important. Although every respondent knows well how to use the internet, some people do not yet feel comfortable enough to book trips and make purchases through the internet, that is the reason why the easier the web page of the portal is built better it is. People also mentioned that it is important for them to have a Russian-speaking person in the contact list of the portal web, as not every respondent speaks English and if there is a problem, it will be better and easier to ask Russian speaking person. Everybody mentioned that the portal will be more popular among the customers then Lomarengas, if it will include Russian language pages.

What can influence you to have long-term business relationship with the Portal (with a specific luxury cottage on a long-term basis)? Respondents said that if they like the quality of the cottages and if the prices are more competitive than in Lomarengas, they will establish long-term business relations with the portal. Stability is very important for the majority of interviewees but it should be based on security.

What kind of product//service you expect to get to be satisfied and to continue to cooperate with the Portal? As all the customers who were interviewed were luxury cottage customers, their expectations and demands were and are high. Everybody expects to receive a superior level cottage when he or she pays for it, but the difference is that - everybody expects to receive a better service then he or she pays for.

It is known, that every person has different preferences when she or he books a cottage, but among the most common wishes and demands are different types of saunas, Jacuzzis that belong to the cottages, different technical devices that the cottage should be equipped with, the own motorboat or an ordinary boat, possibilities for fishing, the own beach and pier, the safe place for children, good quality table silver, plates, glasses, TV channels in Russian language, discs with the movies in the Russian language and so on.

What influences your decision when you choose a cottage for the vacation? The answers to this question were similar to the answers to the previous question. General conditions for the customers to choose a cottage for the vacation are price and quality. Interviewees rent a cottage if the cottage price matches its quality and the customer's financial possibilities. Respondents also mentioned that the cottage should be close to the Russian-Finnish boarder, so it will be fast to go there many customers from St. Petersburg go to the cottages by car.

The cottage should also be very close to a big city. Helsinki is most preferred, as many people would like to go sightseeing, visit nightclubs and restaurants and shop there. Some customers go to Finland by airplane, and rent cars in Finland, so they prefer to rent a cottage near a big city because they do not want to drive much from the airport. As several respondents have children, it was important for them to know how close hospitals (in case of emergency) are and how close different entertainment places for children are (Aquapark Serena, the amusement park Linnanmäki and so on.).

#### 4.2.2 Intermediaries (travel agencies)

Several travel agents, as possible intermediaries, were interviewed. All of them are working in the middle or big sized travel agencies and their core competence is Finland. One travel agency functions in Moscow and in St. Petersburg, in Moscow it is one of the biggest travel agencies, specialized in Finland, others function in St. Petersburg. One employee from each travel agency was interviewed.

Interviews with the travel agencies are highly important for the research, as in future it is planned that the main quantity of customers will be from the travel agencies. So development of successful customer relations with different travel agencies is one of the most important steps in the development of luxury cottages portal.

What makes you establish relations with this special luxury level cottages portal? Most respondents answered that their travel agencies do not have special agreements with the different portal, and in general, when travel agencies receive orders from clients they try to search for the suitable cottage on different portals.

In general, rational prices, the wide choice of cottages, security with the payment, Russian-speaking personnel of the portal, Russian-language pages of the portal, convenient way of communication and cooperation with the Portal's personnel influence travel agencies establish relations with the luxury cottages portal

What do successful business relations mean for you and for the travel agency you are working in? For the majority of travel agencies successful business relations mean alike: security of financial transactions, flexibility, and possibility to satisfy each other's demands.

What do you//the travel agency you are working in value in mutual business cooperation/business relations? The answer to this question was almost the same as to the previous one. Several respondents answered that the feeling of mutual trust is very important. Although



each travel agency functions as a special structure, this structure includes people as well, and the people everywhere and every time need to have a feeling of security and trust. Stability was also named as an important aspect of cooperation.

What can influence your// the travel agency' you are working in decision to cooperate with the luxury cottage portal instead of Lomarengas? Everyone stated that cheaper prices, the better choice of cottages, faster speed of business transactions can influence their decision to cooperate with the luxury cottages portal instead of Lomarengas. Several respondents also said that the speciality of a luxury cottages portal is luxury cottages, while Lomarengas offers all types of cottages, so if the travel agency has clients who demand luxury cottages, it will be easier and faster if other, abovementioned conditions about the price and security are satisfied to use the services of the portal.

What will make you// the travel agency you are working in cooperate with the portal on a long-term basis? stated before - cheaper prices, the better choice, the mutual understanding of each other's problems and demands, the possibility to use the Russian language, the friendly personnel can influence the decision to use services of the portal on a long-term basis.

One respondent also stated that if the luxury cottages portal could offer personal benefits to the personnel of the travel agencies, for example, luxury cottages for rent with a big discount, or other financial bonuses for personnel who brought many clients to the portal, it may increase the wish to cooperate and actually to attract as many customers as possible to the portal. After such actions, travel agencies' personnel may have the personal interest to bring profit to the portal; as a result the employees of the travel agencies can get their own bonuses.

What kind of service/product do you// the travel agency, you are working in, expect to receive to be fully satisfied and to continue to cooperate with the portal? The interviewees replied that they expect to receive the high-standard service as the portal offers luxury products without any complication, fast and safely.

One respondent noticed that the system of discounts can be appealing, the Portal owners can also give special offers that can function as a "last-minute trip" (a system that the travel agents use when they sell the trip cheaper than its normal price, because the starting date reaches the deadline) as It can attract extra customers to the portal and to the travel agency.

What influences your// the travel agency you are working in decision to cooperate with certain portal//cottage owner? As mentioned above, mostly price level, security of financial

transactions, general security, the feeling of trust and the variety of the choice influence the travel agency's decision to cooperate with the certain portal.

As several respondents stated, the balance between the price and the quality is very important as the travel agency's purpose is to sell the product and if it is overpriced, there are few possibilities to sell it. The quality of the cottage that is offered is also important for the travel agency. If customers want to rent a superior cottage their demands are high, the price they pay is high as well, so one of the main purposes is to satisfy the customer's demand, it means the travel agency needs to be sure that the cottage they order through the portal will satisfy all the demands. If not, the client can complain, and he or she will complain about the travel agency, it means that the reputation of an agency can be threatened and it can result in a difficult or critical situation for the personnel of the travel agency and for the agency by itself. If the customer is satisfied, he or she can return and bring more profit and recommend the travel agency to friends also. It means that the travel agency's personnel need to be confident about the product they offer. The more they are confident about the product, the more they want to cooperate with the portal that offers such cottages.

## 5 Conclusion

### 5.1 Key findings

After the research is finished, it is possible to start answering the research questions. In the section purpose of the thesis, several questions were asked: Who are the right customers for the Luxury cottages portal, how can such customers be attracted and satisfy, how can customers loyalty be establish, how can long-term customer relations be establish.

In the theoretical framework section the subject of the right customers for the luxury cottages portal was discussed and customer segmentation was done. To conclude this, it can be said that there will be two types of target customers for the portal:

- Final customers are people who rent cottages independently, using the portal without any help from the travel agency. These customers are wealthy people in the age group from 30 years old to 45 years old. Family people can also be in this target group. It is expected that the final customers will be from Saint Petersburg, Saint Petersburg area and Moscow.
- Intermediaries are expected to be travel agencies will be intermediaries. As described before, travel agencies mostly from Saint Petersburg and Moscow will be needed for the cooperation. These agencies should be specialized in Finland and cottage vacations. The size of these travel companies should be middle or large.

As there are going to be two categories of customers (final customers and intermediaries), different approaches for the development of successful customer relations should be applied to them.

#### 5.1.1 Final customers

According to the research, it is clear that Russian customers are very concerned about the question of safety. Almost in every answer to every question everybody expressed the different level of anxiety about it. It is important to provide and prove the security of money transaction for the customers as many people are still not confident enough to pay through the internet. The feeling of trust needs to be developed. Such portal as Lomarengas is popular and trusted in Russia, Several actions that can strengthen trust in the luxury cottages portal should be made.

It is clear that if the portal owners want to develop the successful relationship with Russian customers, the wide choice of different luxury cottages should be offered. The request for high quality is clear also. If Russian people are ready and able to pay high price for a cottage rent, they expect that the quality will be superior. If they are satisfied with the quality and the price they are most likely to continue the cooperation.

It seems that customers loyalty can be established if the abovementioned conditions of safety, the superior level of vacation are satisfied. As several people mentioned that they would be interested in receiving extra bonuses or discounts if they use the services of the portal - this possibility can be accepted. It is obvious that service in the Russian language and the web page in Russian should be added, as the easier cooperation with the portal is more convenient it is for the customers to cooperate and the more frequently they would like to do that.

To make the relationship with the customers last, the portal owners should be sure that the product that is offered is of high level. Different customers have their own preferences, so it should be checked that on the portal all types of luxury cottages are present. The wider the choice is the more clients are interested in cooperation.

Although many questions to the customers were asked, the result of all the answers is very simple. People want to have a high-level cottage vacation if they pay for it, they want to be confident that it is safe to pay for the vacation and money will not disappear. In future it will also be important to check and to be sure, that the prices of the portal are competitive, compare to Lomarengas and other portals. Other requirements were demands that are not difficult to satisfy. As was written before, the discount system for loyal customers can be

created. Flexible approach to changes in a booking schedule for loyal customers can be also used.

#### 5.1.2 Intermediaries (travel agencies)

After analysing the travel agents answers of, it is clear that they are anxious about the same aspects of cooperation as the final customers. To establish successful customer relations, travel agencies and travel agents should be sure that it is safe in all aspects (financial aspect, quality of the cottages, etc) to cooperate with the portal, the portal can offer the variety of cottages and prices should be competitive. To succeed, the choice of luxury cottages that will be offered should be better and wider then in the Lomarengas portal. It is also clear that the Russian language and easiness of use of the portal may be significant. If some travel agents do not feel confident to work with the portal in English they will find the portal in the Russian language or with the customers support in Russian language. That means that Russian language and Russian employees should always be available for cooperation in the luxury cottages portal.

To influence on customer loyalty the same actions should be done, stability and safety of cooperation should be provided. The cottage owners should always be sure that they can offer cottages for different demands; the transactions and all steps of the cooperation should be as easy as possible. Nowadays there are many different computer technologies that can help to simplify the work of the portal and make it more attractive for customers. The personnel, who will work as customers support, should be well trained, highly qualified, friendly and Russian speaking. The functioning of the portal should be stable, as that is much valued by the intermediaries.

As customer retention is a natural continuation of customer loyalty. If the abovementioned conditions is followed, the customer loyalty and as a result retention would be developed.

As several travel agents stated during the interview, the quality of the cottages should match their price, this means that it should be checked by the portal owners that the cottages that are offered by the luxury cottages portal are superior, so that the personnel will be confident that the quality of the product that is sold. It will strengthen the cooperation stronger as the travel agents will be sure and confident about the product that they offer to their final customers.

The discount system can be applied in cooperation with the intermediaries as well.

#### 5.2 Suggestions and future action

It seems that the thesis' research was important. Several important aspects of successful establishment and development of customer relations were revealed.

As for both customer groups the question of security (money transaction, cottages quality) was vital, this aspect should be examined. It seems that the luxury cottages portal owners can invest money in a marketing campaign in Russia with the purpose of familiarising Russian citizens with the existence of the portal. When people know from different types of advertisement (internet, newspaper, television, posters, etc) that such a portal exists and functions, the trust will be bigger. According to the mentality many Russian people still believe much in adverts. Lomarengas was much advertised in Russia (especially in Saint Petersburg) and as a result it is nowadays one of the most trusted cottage renting portals in Russia. Luxury cottage portal owners can try to do the same. The More frequently people will see the commercials and the name of the Portal, more they will be familiar with its existence and the more they will trust it.

For the clients who want to start cooperation with the portal, but who are afraid of paying for the rent through the internet, the alternative types of payment can be applied. For the first time people can pay for the rent to the cottage owners or the portal's employee precisely when they go to the cottage, so then they will be confident that this system functions without fraud and cheating. These measures can be applied in the first several months of the portal's functioning to establish people's trust in the honest way of conducting business. Later, another system can be applied.

The bonus system should be developed for the final customers and intermediaries. Discounts and the bonuses' significance are an important tool in attracting new customers and retaining old ones. Lomarengas does not have such a system and this step can make the portal very competitive.

Final customers can receive cheaper prices after the certain quantity of bookings, the more they book cottages, the more they receive discounts.

Several customers mentioned that, for travel agents the bonus system should be created, the more the travel agent or agency books cottages, the more they receive bonuses. These bonuses can be applied as sums of money that are paid or as a free vacation in a luxury cottage provided by the portal. As there is a big variety of different discount and bonus types the exact discount system can be developed later.

Many travel agencies have a system of "last-minute trips", as known, internet portals do not often offer such possibilities for their customers. It is planned by the luxury cottages portal

owners to offer such a system for their customers. Again, this will make the portal different from others and bring extra customers.

During the research, it became evident, that final customers and intermediaries are much concerned about the cottage quality. The portal can develop its own policy to solving this problem. Every cottage, before offering it for rent, should be checked personally by the portal's employees. The portal should offer personal guarantees for the quality of every advertised cottage. If the customer is not satisfied with the quality, he or she can be compensated for that. This can provide the security that the portal can provide to its customers

As mentioned before, all the cottages that are going to be offered will be situated in the areas close to big cities, shopping centres, entertainment centres.

It will be suggested to create for each cottage a cottage book, where all information about the cottage will be gathered. Instructions for the use of technical gadgets, the full description of the cottage, the territory where it is situated, possible sightseeing, and entertainment centres can be described there. The cottage books should be written in the Russian language.

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## Appendices

According to the customer segmentation, there are two types of clients that the Luxury cottages Portal is expected to get. Due to this, two types of interviews are held.

### Appendix 1: Questions for the interviews with intermediaries (Travel agencies).

1. What makes you establish relations with this special Luxury level cottages portal?
2. What do successful business relations mean for you and for the travel agency you are working in?
3. What do you//the travel agency you are working in value in mutual business cooperation/ business relations?
4. What can influence your// the travel agency' you are working in decision to cooperate with the luxury level cottage Portal instead of Lomarengas?
5. What will make you// the travel agency you are working in cooperate with the portal on a long-term basis?
6. What kind of service/product you// the travel agency you are working in expect to get to be fully satisfied and to continue to cooperate with the portal?
7. What influences your// the travel agency you are working in decision to cooperate with certain portal//cottage owner?

Appendix 2: Questions for the interviews with final customers (customers, who already used services of Villa Mäntykallio - as an example of a luxury product, that can be offered).

1. What makes you establish relations with the Luxury cottages Portal (villa Mäntykallio)?
2. What makes you cooperate with the Portal?
3. What do you value in mutual cooperation and business relations?
4. What can make you cooperate with the Luxury cottages Portal instead of Lomarengas?
5. What can influence you to have long-term business relationship with the Portal (before with renting Villa Mäntykallio on a long-term basis)?
6. What kind of product//service you expect to get to be satisfied and to continue to cooperate with the Portal?
7. What influences your decision when you choose a cottage for the vacation?